



ARGUS ECONOMIC COMMENTARY

June 22, 2026

Possible War Resolution Lifts Markets

On an event-filled Sunday, June 14, 2026, President Donald Trump celebrated his 80th birthday, hosted a martial arts spectacle on the lawn of the White House, announced that the U.S. and Iran were on the cusp of signing a definitive end to the war, and departed for the Group of Seven (G-7) meeting in France. As the trading week opened, investors focused on the possible end to the war, even as Israel bombed southern Lebanon and Iran indicated that it might not be ready to sign.

The stock market has risen in the second quarter of 2026 to date as the peace process continues to inch forward. In the trading week that began on June 8, the latest advance began to stall as the ceasefire strained under new hostilities. The Space Exploration Technologies Corp. (SpaceX) IPO on June 12 provided distraction, but war tensions limited gains in most stocks beyond SPCX and related artificial intelligence (AI) names. And then came the news of the possible war resolution.

Midyear 2026 is fast approaching, to be followed by summer months that are typically uneventful for stocks. The calendar is anything but uneventful, with two more massive IPOs (OpenAI and Anthropic) likely to continue fundamentally reshaping leadership in the tech space and in the broad market. The opening of the Strait of Hormuz now appears more possible than at any point since March 1, 2026, and if that occurs, energy prices could be headed meaningfully lower. As summer begins to wind down, election mania will take over the press and airwaves ahead of the November midterms. In this environment, the summer stock market may be anything but quiet.

Progress in Iran War

Pakistan has been resolute during the Iran war peace process, keeping the negotiating table open even as one or both sides briefly walked away. Fittingly, Pakistan announced the potential signing of what could be a lasting settlement — or at least an important step toward that goal. The first inkling that a substantial deal might be near came on June 11, after the president cancelled additional strikes on Iran. Although the announced deal was initially perceived as one more in a series of head fakes, a senior Iranian official indicated overnight (early morning Sunday in the U.S.) that a deal was likely. The Islamic News Agency on Sunday cited an Iranian Foreign Ministry spokesperson as saying a draft was “nearly finalized” and awaiting a final decision from top government officials.

The interim peace deal, as reportedly structured and as of June 14, is a memorandum of understanding. It comes in the nick of time, given that the original ceasefire was nearly abandoned after a U.S. Apache helicopter went down in the strait and the U.S. responded by firing on Iranian military sites both near the strait and deeper into the country. The original ceasefire between the U.S. and Iran dates from April 8. That agreement has been repeatedly strained but has endured.

The memorandum of understanding would extend the ceasefire between the two nations for approximately two months. The key points of progress would be an immediate reopening of the Strait of Hormuz to normal shipping and the end of the U.S. blockade of Iranian ports. While the end of the blockade could begin soon, clearing mines from the strait could take a month or more. During the extended ceasefire period, the two sides plan to deepen negotiations over Iran’s

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nuclear program. Mehr News Agency also reported that the deal includes immediate release of \$24 billion of Iranian funds that have been withheld by the U.S. government.

The deal would need to be approved by Iranian Supreme Leader Mojtaba Khamenei. He is in hiding and may be hampered by injuries reportedly sustained in the first days of the war. Insiders report that exchanges between mediators and the supreme leader can take days to transpire. But attaining the supreme leader's sign-off is also apparently well along.

Past periods of near resolution were interrupted by renewed attacks by Israel on Hezbollah in Lebanon. Israel does not want to sign any deal that limits its ability to keep pressure on Hezbollah. The United States, after largely staying out of that conflict, is now more aggressively calling on Israel to end its strikes on Lebanon, at least long enough for a U.S.-Iran deal to take shape. The deal may or may not cause Israel to reduce its strikes.

U.S. Chief Negotiator Steve Witkoff will reportedly sign the Memorandum of Understanding, potentially accompanied by Vice President JD Vance. Although the timeline remains uncertain, the deal is expected to be signed on Friday, June 19. The signing could potentially occur on the sidelines of the G-7 meeting that kicked off on Monday, June 15.

G-7 Meeting

The G-7 meeting is being held in Evian in the French Alps. Geneva, Switzerland, is not far away and could become the site of the formal signing of the memorandum of understanding. The G-7 consists of the United States, Canada, the U.K., Germany, France, Italy, and Japan; the European Union is a "permanent guest."

The G-7 had a full agenda even before the possibility of a ceasefire extension was added to the mix. The key topic since 2022 has been the war in Ukraine, now dragging into its fifth year. Representatives from the seven nations will also discuss global trade, the environment and clean energy, potential regulation of AI, macroeconomic imbalance, regional wars that are devastating poor populations in Africa, and other topics.

In the past year, the U.S. has dialed down its involvement in the war in Ukraine to focus on the Western Hemisphere (Venezuela and Cuba) and the Middle East. European nations have become more involved in supporting

and financing the Ukrainian war effort. The president has also broken with Europe on free trade and on environmental matters. The war-related spike in energy prices has prompted many European nations to step up their renewable energy programs.

G-7 meetings have historically been more about reaffirming collegiality among powerful nations than about tangible results. The signing of a memorandum of understanding that leads to a lasting peace between the U.S. and Iran, the reopening of the Strait of Hormuz, and the dismantling of Iran's nuclear weapons program would be a major accomplishment for this year's conclave.

Conclusion

Scheduled for the final trading day of a week in which the war with Iran appeared to worsen, the SpaceX IPO arrived in time to lift animal spirits and send the market higher — even before the announced peace plan. The SpaceX IPO also signaled that in the age of AI, the IPO process was undergoing fundamental change.

The company provided an opening price rather than the customary price range. SpaceX also had uncommon control of the distribution of shares, targeting 30% of IPO shares to go to retail and unconventional channels. While IPOs are normally tightly managed by the lead book-running banks, SpaceX kept control of its IPO through every stage of the process.

On the Monday after the IPO, underwriters exercised their overallotment options. The initial shares offered to the public represented about 4.3% of all shares outstanding. SpaceX has gone from a market cap of \$1.8 trillion immediately prior to the IPO to a market cap of about \$2.6 trillion just days into trading. That makes it the fifth-largest company in the world, behind Nvidia, Alphabet, Apple, and Microsoft, and essentially tied with Amazon.

The combination of the pending signing of the memorandum of understanding, the sharp drop in oil prices, and SpaceX giddiness sent stocks higher to open the trading week on June 15. The S&P 500 finished the trading day up more than 10% for the year-to-date and less than 1 percentage point below its all-time high. If the peace deal is signed, the strait reopens, and oil prices keep heading lower, stocks should be able to carry current momentum through the end of the second quarter at least.

Jim Kelleher, CFA

KEY ECONOMIC FORECASTS

- The \$32 trillion U.S. economy remains on course for productive long term growth, powered by corporate investments in Artificial Intelligence. Nvidia CFO Colette Kress estimated, on May 20, that AI infrastructure spending is on track to reach \$3 - \$4 trillion annually by the end of this decade.
- Real Potential GDP – the sustainable speed limit of the US economy is poised to increase to 2.1%, on average, through 2030 according to the Congressional Budget Office. AI is likely to raise productivity, offsetting slower growth in the labor force from an aging population and reduced immigration.
- We recently raised our 2026 gross domestic product (GDP) growth forecast to 2.3% from 2.1%, our 2Q26 estimate to 2.5% from 2.2%, and our 2027 growth forecast to 2.4% from 2.0%. The major change is that indicators point to even stronger domestic investment. The investment dollars will boost the AI-dominated Equipment and Intellectual property categories in the GDP report.
- News of an interim peace deal between the U.S. and Iran sent gasoline to \$4.07 a gallon from \$4.53 a month earlier (according to AAA). Lower gas prices are welcome news for consumers as we approach the important back-to-school shopping season, which starts after the July 4 weekend. Spending during Amazon's Prime Day (June 23-June 26) may be a useful leading indicator.
- The Misery Index, which is the Consumer Price Index (CPI) inflation rate plus the unemployment rate is below the average of 9.2% since 1949 but it rose to 8.5% in May from 6.9% in January. The May unemployment rate is low at 4.3% but the CPI rose to 4.2% in May from 2.4% in January.
- We are monitoring financial conditions and high-frequency indicators. They show ongoing economic resilience and financial system stability.
- Argus expects S&P 500 EPS to rise almost 25% to \$340 in 2026 and increase about 15% to \$390 in 2027. EPS is helped by an increase in operating margins to about 18.8% this year, well above 13.9% in pre-pandemic 2019. Growing tech giants such as MSFT and NVDA have operating margins of 47% and 64% respectively while Dow stalwarts Walmart and Caterpillar earn 4% and 17%, respectively.
- Argus Fixed Income Strategist Kevin Heal expects the Fed to maintain the funds target at 3.50% to 3.75% in 2026 and reduce the target by 25 basis points in 2027 as inflation is likely to abate. We expect the dollar to be slightly stronger in 2026 driven by foreign demand for shares of innovative U.S. companies and continuing economic growth.
- Gold is likely to remain at elevated levels. The ancient safe-haven asset recently reached a record above \$5,000 an ounce. We expect gold to trade in a range of \$4,000 - \$6,000 in 2026.
- What could go right? Low unemployment, spending by wealthy consumers, strong S&P earnings, capital investment in Artificial Intelligence, productivity gains, slower inflation if the price of oil has peaked, a small economic boost from the World Cup, and ongoing innovation.
- Risks: Strains on affordability from years of elevated inflation, uncertainty related to the interim peace deal with Iran, a lower 10-year Treasury yield could depend on deficit reduction, a weak housing market, low income consumers are struggling, spending by affluent may depend on stock gains.

CURRENT ECONOMIC RELEASES

Current Economic Releases

| Date | Release | Month | Previous Report | Argus Estimate | Street Estimate | Actual |
|--------|-----------------------|------------|-----------------|----------------|-----------------|--------|
| 11-Jun | PPI Final Demand | May | 5.7% | 5.8% | 6.4% | 6.5% |
| | PPI ex-Food & Energy | May | 4.9% | 5.1% | 5.4% | 4.9% |
| 12-Jun | U. Michigan Sentiment | June | 44.8 | 43.0 | 46.0 | 48.9 |
| 15-Jun | Industrial Production | May | 1.4% | 1.9% | NA | 1.7% |
| | Capacity Utilization | May | 76.1% | 76.2% | 76.1% | 76.2% |
| 16-Jun | Housing Starts | May | 1,392K | 1,390K | 1,440K | 1,177K |
| | Import Price Index | May | 4.2% | 4.7% | NA | 6.7% |
| 17-Jun | Retail Sales | May | 4.8% | 5.5% | NA | 6.9% |
| | Retail Sales ex-autos | May | 6.4% | 6.0% | NA | 7.5% |
| | Business Inventories | April | 2.1% | 3.1% | NA | 2.7% |
| 18-Jun | Leading Index | May | 0.1% | 0.3% | NA | NA |
| 24-Jun | New Home Sales | May | 622K | 665K | NA | NA |
| 25-Jun | GDP Annualized QoQ | 1Q "Final" | 1.6% | 1.6% | 1.6% | NA |
| | GDP Price Index | 1Q "Final" | 3.5% | 3.5% | 3.5% | NA |
| | PCE Deflator | May | 3.8% | 4.0% | 4.1% | NA |
| | PCE Core Deflator | May | 3.3% | 3.3% | 3.4% | NA |
| | Personal Income | May | 2.5% | 2.2% | NA | NA |
| | Personal Spending | May | 5.9% | 5.9% | NA | NA |
| | Durable Goods Orders | May | 19.2% | -4.8% | NA | NA |

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